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## THRIFT AND THE STANDARD OF LIVING

It is a common error among economists who have not trained themselves to see things in their larger relations to assume that there is something antagonistic between thrift and a high standard of living. That this assumption is wrong will be obvious to anyone who once understands what a high standard of living really is, and what thrift really means. There may be said to be a high standard of living among the people of any community or class when its members commonly refuse to marry and have children, or generally postpone marriage and child-bearing until they are able to provide themselves and their families with a considerable number of other satisfactions. In a very true and special sense, the standard of living may be said to include the total number of things which the average person prefers to marriage and children. *Anything*—leisure, a house, an automobile, foreign travel, a library, education, amusement—which the individual desires strongly enough to cause him to postpone marriage and family building until he can afford it, may be said to enter into his standard of living. If there are few things which he insists upon having before undertaking the responsibilities of a family, his standard of living is low; if there are many such things, his standard of living is high.

There does not appear to be any good reason for distinguishing among those things which a man insists upon having before undertaking the support of a family, or for saying that some of them enter into his standard of living and others do not. If in one class a man must afford a house rather than a flat, while in another he must afford an automobile before he will marry, there is as good reason for including the house in the one's standard of living as for including the automobile in the other's. If in a third class a man will not marry until he can afford an insurance policy, and in a fourth class he will wait until he has a savings account of a certain size, then, by the same reasoning, the insurance policy and the savings account enter into their standards of living. There is no reason for believing that the standard of living is any lower in classes three and four than in classes one and two. Yet classes three and four are thrifty classes. In short, the time element enters into one's standard of living as well as into every other subject of economic choice.

One of the commonest things in real life is for men and women to postpone marriage until they have "saved up" enough to provide

themselves certain comforts and conveniences. In such cases thrift is a necessary part of the standard of living. If they wait until they have saved enough to buy a house, a farm, a shop, or to make certain investments, these things become a part of their standard of living. In fact, it is the writer's observation that the thriftiest people are the people with the highest standard of living. These are the people who rank economic safety high among the desirable things of life—to whom the thought of an uncertain future is as painful as present deprivation, and to whom that of a future well provided for is as satisfying as the immediate gratification of the senses.

The difficulty with those who fail to see the relation between thrift and a high standard of living is not due solely to their failure to understand the real meaning of the standard of living. It is sometimes due to a failure to understand thrift. Thrift does not consist in refusing to spend money or to buy things. It consists, under a money economy, in spending money and buying things, but in spending money for things of a kind different from that which thriftlessness buys. Thrift buys things with a relatively vivid appreciation of the future, thriftlessness buys things with a relatively dull or weak appreciation of the future. Thrift regards future needs as comparable in importance with present desires, thriftlessness regards present desires as of greater importance than future needs.

Thrift emphatically does not consist in hoarding money. In these days that is one of the most thriftless things one can do with money. It consists in spending money for things which will bring a permanent or a durable advantage. It very generally, though not exclusively, consists in investing money, that is, in buying income-bearing goods. This may be done directly, as when a farmer buys a tractor, or improves his farm as a producing unit. It may be done indirectly, as when one deposits money in a savings bank, buys an insurance policy, or a corporation bond. In all these and many other cases the saver merely turns his money over to other agencies and they do the investing, that is, they buy the producer's goods or the income-bearing goods with it.

It is obvious, is it not, that when a farmer buys a tractor he spends money as truly as when he buys a luxurious automobile, and that the money spent employs as much labor and stimulates business as much in one case as in the other. Temporarily, he has, by so doing, deprived himself of a means of immediate enjoyment. In the long run, however, farmers who undergo this form of deprivation spend more money and have more means of enjoyment, possibly better automobiles, than those

thriftless farmers whose standard of living never looks to the future. As a matter of observation, thrifty communities spend more money, in the long run, than thriftless communities for the sufficient reason that they have more money to spend. But even with their larger expenditures, so long as they remain thrifty a larger proportion of their money is spent for producers' goods than is true in a thriftless community.

It ought not to be necessary to add that in advocating a *higher degree* of thrift one is not advising people to spend *all* their money for producers' goods and *none* for consumers' goods. If it were the writer's opinion that any community was going too far in this direction, he would feel justified in advising a lower degree of thrift, even at the risk of being accused of advising the cessation of *all* thrift. The writer does not know of any such community. It seems that there is everywhere too little rather than too much thrift. He therefore feels justified in advocating more thrift, even at the risk of being accused of advising people to invest *all* their money and consume nothing.

The foregoing remarks are not altogether without point. In Professor Moulton's interesting appraisal of my recent book, in the *Journal of Political Economy* for April, 1920, he accuses me of inconsistency in advocating both a high standard of living and a high degree of thrift, and, besides, seems to imply that my ideas on thrift would lead to a cessation of all buying of consumers' goods. I hope that I have shown that this does not involve any lack of consistency and that there is such a thing as a wise balance in the spending of money. I have counted eight other cases in Professor Moulton's appraisal where he has shown a similar inability to see things in their larger relations, but one illustration is enough.

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### A COMMENT

Professor Carver's definition of the standard of living, as given above, is, of course, a legitimate one, and everyone will be grateful to him for clearing up an obscurity in his treatise. I had judged from his discussion of the importance of maintaining a high standard of living as a means of raising wages, that he was thinking of a high standard of living as synonymous with high consumption, for he specifically refers to the desire of the individual for consumption goods (p. 395) and does not mention the taking out of insurance, etc.

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